

CORRECTED FISCAL NOTE

SB 1240 - HB 1578

April 4, 2005

SUMMARY OF BILL: Enacts the "Tennessee Deposit Beverage Container Recycling Act of 2005". Requires every deposit beverage distributor, beginning on October 1, 2005, to register with the Department of Environment and Conservation and pay a deposit beverage container fee of one-half cent on certain beverage containers manufactured or imported into the state. Beginning on October 1, 2007, such fee increases to one-cent per beverage container.

ESTIMATED FISCAL IMPACT:

On February 25, 2005, we issued a fiscal note which indicated increased state revenues to a newly created *deposit beverage container special fund (DBCSF)*, decreased state revenue to the Highway Fund and the General Fund, and decreased local government revenues. Estimates were provided for FY06 through FY09. Based on additional information provided to us, the estimated fiscal impact of this bill is:

(CORRECTED)

Increase State Revenues – \$8,140,000 FY06 / Earmarked to DBCSF
\$10,850,000 FY07 / Earmarked to DBCSF
\$19,000,000 FY08 / Earmarked to DBCSF
\$21,700,000 FY09 / Earmarked to DBCSF

Decrease State Revenues – \$3,525,000 FY06 / Highway Fund
\$250,000 FY06 / General Fund
\$4,700,000 FY07 / Highway Fund
\$329,000 FY07 / General Fund
\$4,700,000 FY08 / Highway Fund
\$329,000 FY08 / General Fund
\$4,700,000 FY09 / Highway Fund
\$329,000 FY09 / General Fund

Increase State Expenditures – \$128,000 One-Time FY06
\$740,000 FY06 / Earmarked from DBCSF
\$985,000 FY07 / Earmarked from DBCSF
\$985,000 FY08 / Earmarked from DBCSF
\$985,000 FY09 / Earmarked from DBCSF

Decrease Local Govt. Revenues – \$79,000 FY06
\$105,000 FY07
\$105,000 FY08
\$105,000 FY09

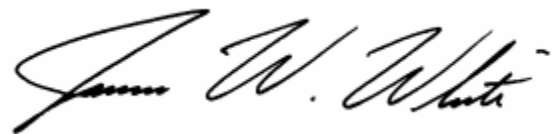
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Assumptions:

- Beverage consumption is one beverage per capita per day (USDA).
- 2005 Tennessee population is estimated at 5.95 million.
- Tennessee beverage consumption is estimated at 2.17 billion per year.
- No growth in beverage consumption.
- Increase in state revenues from beverage container fees, to be earmarked for the “*deposit beverage container special fund (DBCSF)*”, is estimated at \$10.85 million per year for the first two full years (2.17 billion containers X \$0.005 tax = \$10.85 million); \$21.7 million per year thereafter (2.17 billion containers X \$0.01 tax = \$21.7 million).
- Enactment of this bill results in a reduction of current taxes by an amount earmarked for litter control programs (Highway Fund). (\$0.50 of the beer barrelage tax and 0.4% of the bottlers’ gross receipts tax). Based on FY04 collections, this would cause a decrease in state revenues of \$4.7 million (\$2.0 million from beer tax and \$2.7 million from bottlers’ tax).
- Enactment of this bill would also result in the loss of some state and local sales tax as a result of the elimination of the beer and bottlers’ tax (General Fund). These decreases in revenue are estimated at \$329,000 for state government and \$105,000 for local governments.
- Enactment of this bill would result in significantly increased administrative costs to the Department of Environment and Conservation (General Fund). Recurring expenditures are estimated at \$985,000 and one-time expenditures are estimated at \$128,000.
- Given the October 1, 2005 start date, and the October 1, 2007 container fee increase, the net increase to state revenues for fiscal years 2006 through 2009 is estimated to be \$3.5 million, \$4.8 million, \$13.0 million, and \$15.7 million respectively.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director